

## Message Text

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16

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 NEA-09 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 CEA-01

STR-01 DODE-00 PM-03 H-01 L-02 NSC-05 PA-01 PRS-01

SS-15 USIA-06 IO-10 /111 W  
----- 028874

R 050001Z FEB 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7785

INFO AMEMBASSY NEW DELHI

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EAID, EFIN, JA, IN

SUBJ: JAPANESE AID TO INDIA; JAPANESE POSITION ON FORUM  
FOR DEBT RESCHEDULING

REF: A. TOKYO 16380

B. STATE 129529

SUMMARY: JAPANESE AND INDIAN GOVTS HAVE REACHED AGREEMENT  
ON 7 BILLION YEN COMMODITY LOAN AND 12.1 BILLION YEN DEBT  
RESCHEDULING BY JAPAN TO INDIA. GOJ HOPES TO AGREE ON 11  
BILLION YEN FERTILIZER PLANT PROJECT LOAN SOON. GOJ HAS  
NOT YET MADE UP MIND RE FORUM FOR DEBT RESCHEDULING.  
END SUMMARY.

1. OFFICIALS OS GOJ AND GOI EXCHANGED NOTES IN TOKYO JAN  
31 PROVIDING FOR 7 BILLION YEN (APPROX 23.6 MILLION DOLLARS  
AT 297 YEN/DOLLAR) COMMODITY LOAN AND ABOUT 12.1 BILLION  
YEN (APPROX 40.7 MILLION DOLLARS) IN DEBT RELIEF TO INDIA  
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BY JAPAN. ON FEB 4, FONOFF REP (SEZAKI, DEP DIR, FIRST

ECON COOPERATION DIV), PROVIDED FOLLOWING INFO RE NEW AID:

2. COMMODITY LOAN FULFILLS PLEDGE MADE BY GOJ AT JUNE 1974 AID TO INDIA CONSORTIUM MEETING (REF B). LOAN, TO BE EXTENDED BY JAPAN'S EXPORT IMPORT BANK, IS TIED TO PROCUREMENT IN JAPAN. TERMS WILL BE 4 PERCENT INTEREST WITH REPAYMENT OVER 18 YEARS FOLLOWING 7 YEAR GRACE PERIOD. AGREED LIST OF COMMODITIES WHICH MAY BE PURCHASED INCLUDES STEEL, CHEMICALS, MACHINERY, FERTILIZER, TRUCKS, TRACTOR, AND POWER TILLER PARTS, RAW MATERIALS, AND QTE ROLLS UNQTE.

3. DEBT RELIEF GRANTED IS ALONG LINES OF UNDERSTANDING REACHED BY AID INDIA CONSORTIUM OCT 30, 1974. AS AN EXCEPTIONAL MEASURE, GOJ WILL RESCHEDULE 45 PERCENT OF DEBT DUE EVEN THOUGH OTHER GOVTS, INCLUDING USG, RESCHEDULE A SMALLER PORTION. OVER 12 BILLION YEN OWED BY GOI TO JAPAN'S EXPORT IMPORT BANK AND COMMERCIAL BANKS, WHICH FALLS DUE BETWEEN APRIL 1, 1974 AND MARCH 31, 1975, WILL BE RESCHEDULED. RESCHEDULED DEBTS ARE TO BE REPAYED OVER TWENTY YEAR PERIOD BEGINNING OCT 10, 1984, IN FORTY-ONE EQUAL SEMI-ANNUAL INSTALLMENTS. INTEREST RATE ON RESCHEDULED DEBTS WILL BE REDUCED TO 2.5 PERCENT, STARTING FROM RESPECTIVE ORIGINAL DUE DATES.

4. RE PROMISED GOJ LOAN OF 11 BILLION YEN FOR FERTILIZER PLANT CONSTRUCTION (REF B), SEZAKI SAID GOJ READY TO EXCHANGE NOTES ON THIS LOAN IN NEAR FUTURE, BUT ONE QUESTION REMAINS TO BE RESOLVED. IBRD STUDY INDICATED THAT CONSTRUCTION OF ORIGINALLY PLANNED THREE FERTILIZER PLANTS IN INDIA MIGHT RESULT IN OVERPRODUCTION. IBRD AND GOI NOW STUDYING QUESTION WHETHER THREE PLANTS SHOULD BE CONSTRUCTED, OR WHETHER GOJ AID WHICH WOULD OTHERWISE GO TO THIRD PLANT SHOULD BE USED TO MAKE UP COST OVERRUNS OF FIRST TWO PLANTS. IN EVENT DECISION IS MADE TO PROCEED WITH THREE PLANTS, GOI WILL HAVE TO FIND SOURCE OTHER THAN GOJ TO PROVIDE ADDITIONAL NECESSARY FUNDS.

4. RE GOJ POSITION ON FORUM FOR DEBT RESCHEDULING, SEZAKI SAID MATTER IS STILL UNDER STUDY WITHIN GOJ. AT PRESENT, FONOFF VIEW IS THAT DEBT RESCHEDULING SHOULD CONTINUE TO LIMITED OFFICIAL USE

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BE TOPIC FOR DISCUSSION WITHIN AID CONSORTIA. FINANCE MINISTRY IS MORE FAVORABLY DISPOSED TOWARD USG PROPOSAL. HOPEFULLY, CONCLUSION CAN BE REACHED AND GOJ POSITION TRANSMITTED TO USG WITHIN NEAR FUTURE.

5. EMBASSY POUCHING EXCHANGES OF NOTES TO ADDRESSEES.  
HODGSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT DEBTS, CONSORTIUMS, DEBT REPAYMENTS  
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**Draft Date:** 05 FEB 1975  
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**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Film Number:** D750041-0516  
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